

The Bellagio Initiative

The Future of Philanthropy and Development in
the Pursuit of Human Wellbeing

Global Dialogue Report

Global Governance and Regulation: London

Allister McGregor and Noshua Watson
IDS

November 2011

Copyright is jointly held by the three Bellagio Initiative partners: Institute of Development Studies (IDS), the Resource Alliance and the Rockefeller Foundation.

IDS is a leading global charity for research, teaching and information on international development. Its vision is a world in which poverty does not exist, social justice prevails and economic growth is focused on improving human wellbeing. IDS believes that research knowledge can drive the change that must happen in order for this vision to be realised.

The Resource Alliance has a vision of a strong and sustainable civil society. It aims to achieve this through building skills and knowledge, and promoting excellence. To help organisations increase their fundraising capabilities, the Resource Alliance provides a range of services and resources, including conferences, international and regional workshops, accredited in-depth courses in fundraising and communications, tailor-made training and mentoring, research, publications, newsletters and award programmes.

The Rockefeller Foundation has a mission to promote the wellbeing of people throughout the world. It has remained unchanged since its founding in 1913. Its vision is that this century will be one in which globalisation's benefits are more widely shared and its challenges are more easily weathered. To realise this vision, the Foundation seeks to achieve two fundamental goals in its work:

1. It seeks to build resilience that enhances individual, community and institutional capacity to survive, adapt, and grow in the face of acute crises and chronic stresses.
2. It seeks to promote growth with equity so that poor and vulnerable people have more access to opportunities that improve their lives.

In order to achieve these goals, the Foundation provides much of its support through time-bound initiatives that have defined objectives and strategies for impact.



For further information on the Bellagio Initiative:
E-mail: contact@thebellagioinitiative.org
Web: www.bellagioinitiative.org

Global governance and regulation: London

Allister McGregor and Noshua Watson, IDS

Executive summary

The London Dialogue involved up to 23 participants in discussions about the role of global governance and regulation in the protection and promotion of human wellbeing in the twenty-first century. It ranged across a broad spectrum of governance and regulation issues. The discussion proceeded on the understanding that global governance and regulation is important for all our efforts to live well as individuals but that they are more significant still because they are vital to our efforts to live well together in an increasingly globalised world. The discussion started by recognising that the ecosystem of global governance and regulation was becoming ever more complex, involving a diverse range of new players, new organisations and new values. It was felt that developing a better understanding of the structure and dynamics of this new ecosystem would be an important first step in developing more effective governance and regulation.

The discussion of the problems of current global governance and regulations systems and institutions identified a lack of trust in governance institutions as critical at this time. This was related to what was perceived as weaknesses of transparency and accountability for some parts of the global governance regime. Large philanthropic organisations were not seen as being exempt from these issues of distrust, transparency and accountability. The problems of the short-termism of national governments (political cycles) and their focus on national priorities in global governance were discussed. The exclusion of women, girls and youth were highlighted as a particular problem of governance systems.

The discussion identified a wide range of innovation and trusted institutions of governance and regulation. A number of these involved the innovative use of new information and communication technologies to improve voice and accountability. Further initiatives demonstrated other ways in which trust can be built. These innovations appeared to provide a good foundation on which philanthropic organisations might build to contribute to rebuilding trust in global governance and regulation institutions. The discussions explored the idea that global governance problems might be better dealt with by breaking the problems and challenges into smaller, bite-sized chunks. It echoed the more profound view that there may be fundamental problems with the ideas and values on which current approaches to governance and regulation are founded.

The discussion concluded with a suggestion that philanthropic organisations might further explore what was perceived to be their unique position as intermediaries between business, government and civil society in order to explore what their comparative advantage might be in strengthening global governance and regulation in ways that better protect and promote human wellbeing in the face of growing threats and uncertainty.

Introduction

The London Dialogue for the Bellagio Initiative involved up to 23 participants in discussions about the role of global governance and regulation in the protection and promotion of human wellbeing in the twenty-first century. The participants were drawn from a range of backgrounds including academia, civil society, business, global development organisations and the media. While the majority were based in the UK and Europe, the Dialogue also included participants from East and Southeast Asia and from North America (see Appendix 1).

The Dialogue was conducted over two days. The meeting began in the evening of the first day with introductions and an explanation of the Bellagio Initiative. This included a framing of the Dialogue in terms of the challenges to human wellbeing and clarification of the issues and terms involved. That was then followed by a period of free-form discussion in which the group refined the approach that would be taken on day two. The introduction also included a brief summary of key messages and questions arising from the other dialogues that had already taken place (New Delhi and Cairo). Day two was organised into four discussion sessions: (1) identifying some of the major ways in which current global governance and regulation is failing to protect and promote human wellbeing; (2) innovations and opportunities for improving global governance and regulation, including identifying possible roles for philanthropic organisations; (3) joining up levels of governance – from global to local; (4) concluding observations and messages for other Bellagio events. The discussion that followed was guided by this framework but did not strictly conform to the four groupings. The group discussions mixed the discussion of problems in the existing global governance framework with exploration of innovations such as multilevel governance.

Framing: Human wellbeing, global governance and regulation

In our increasingly globalised world the governance and regulation of the production and distribution of goods and services which are necessary for our common good is increasingly important (for example, common goods ranging from a regime of rules for pollution control to a global financial system to a globalised approach to security). These goods and services can be produced by both the public and private sectors but when the governance and regulation of these for the common good fails then the consequences for the wellbeing of men, women and children in all corners of the world can be significant.

Global governance and regulation are important for all our efforts to live well as individuals but they are more significant still because they are vital to our efforts to live well together in a globalised world.¹ While it is a universal human aspiration that we should be able to live well, this Dialogue focused on the ways in which the struggle for development at the global level is a struggle to find ways to live well together. The challenge of global governance and regulation in a globalising world is to establish an effective set of organisations and institutions that will support us in our attempts to live well together and to cope with increasing levels of strain and threat that a series of natural and man-made crises place upon us. This was the intended function of the post-Second World War Bretton Woods institutions that currently provide the basic architecture of

¹ See the Bellagio Briefing Note (www.bellagioinitiative.org/) and Deneulin and McGregor (2010) 'The Capability Approach and the Politics of a Social Conception of Wellbeing', *European Journal of Social Theory* 13.4: 501–19.

our present system of global governance. It also is the purpose of a wide range of other global initiatives that have emerged and evolved to constitute our current global governance regime (for example, the emergence of the G20 as a significant forum for inter-governmental deliberation and the international climate change architecture).

In respect of the need to live well together, the narrative of climate change is noteworthy for the way that it has heightened global awareness of environmental sustainability. This narrative evokes our interdependence in terms of the use of the physical resources of the planet, but the notion of sustainability can also be usefully extended to our social and political systems. A major challenge for global governance and regulation in the twenty-first century is that we find ways to produce and distribute the goods and services that we need for our wellbeing in ways that are socially and politically sustainable on a global scale. For example, we can ask whether the persistence of chronic poverty in some parts of the world will be socially and politically sustainable in the twenty-first century.

Current problems: Transparency, trust and accountability

Clearly in such a discussion it was not possible to be exhaustive in the range of global governance and regulation issues that could be considered. Initially three issues were highlighted as possible illustrative examples of contemporary challenges for global governance and regulation around which to focus: (1) the stability of the global financial system; (2) the transnational movement of capital and labour; and (3) responses to globalised crises. The discussion however was more wide-ranging, drawing on the expertise and experience of the participants. It touched on and used examples from environment, energy, climate change, global financial systems, food security, public spending on R&D, tax reporting and payment, access to capital for small and medium enterprises, non-communicable diseases, coordination of international organisations, and the global management of anti-terrorism.

The day started with a discussion of the global financial crisis. One participant suggested that there was a basic problem of information and that in our increasingly globalised world there was insufficient understanding of the extent and nature of global interdependencies. This was illustrated by the fact that few analysts of and practitioners in the global financial markets foresaw the transmission of financial crisis from its roots in the US and UK debt markets to economies around the world. One task that could be undertaken to improve the possibilities of governance would be to **map the extent and nature of global interdependencies**. For example, in relation to the ongoing food crisis one participant noted that,

... we don't know where all the food in the world is going; transparency is key but we need to have the information in the first place.

The need for greater **transparency** in terms of the global production and distribution of common goods became a focus of much attention during the discussions. This was illustrated by a passage of discussion on the global governance of taxation and this highlighted the problem of tax havens. One participant reported that a leading development organisation has estimated that US\$160billion is lost to development efforts every year through tax dodging and this was significant in relation to the quantity of aid that developing countries receive. It was argued that a key issue in improving governance and regulation of financial markets was,

... collaboration from governments in the world to share the information and then collaboration to act [for the common good].

However, it was noted that a major obstacle to this was that in contemporary capitalism there was a culture of secrecy around finance. As one participant put it,

... in the West capital is treated like a big secret – it is not talked about openly. We need to talk about the secrecy of capital to solve the problems of development... Secrecy is built into the corporate world.

The discussion identified the Taxation Justice Network (TJN) as a promising new initiative which was striving to improve global governance in financial markets. The TJN describes itself as promoting transparency in international finance and opposing secrecy. The enthusiasm for improving the ability of governments to collect tax, however, was tempered by the view that **tax is seen in many societies as being used ineffectively**. Either the governments that collect them are corrupt and distrusted or public expenditures are seen as being used in undesirable ways.

This section of discussion concluded with the perception that a current major challenge for global governance and regulation is that there are considerable levels of **distrust** of the institutions (organisations) of governance both nationally and globally. One observation was that the failure of trust was rooted in governance institutions that failed to live the values that they advocate. Although it was argued that, when we look back, scandals in public governance are relatively rare when compared with the overall scale of governance activity (e.g. the UK MPs' expenses scandal, ENRON, etc.), they nevertheless attract huge public interest and are extremely damaging to trust in the institutions of governance. It was also argued that a key contributing factor to this distrust of governance institutions is their lack of **accountability**. A key challenge was,

... the need to grow the ability of people to hold their governments to account, to make sure public money is invested in public goods (for example, health insurance, pensions).

Throughout the day the discussion repeatedly returned to emphasise the importance of accountability for the legitimacy of global governance and regulation institutions. The discussion explored a number of ways that accountability might be improved, including strengthening the role of **judicial review** and building **feedback mechanisms** in relation to those affected by governance decisions (see for example Keystone).²

One contributor suggested that,

... one of the failures of global governance is that responsibilities are not clearly allocated – all the people making the decisions and the ones that are affected by the decisions made need to be included in the process. Diversity is needed to include all the actors involved in the process.

The discussion emphasised the continued **exclusion of women, girls and youth** from deliberation and governance processes as a particular problem.

In addition to discussing the possible roles of philanthropic organisations in building trust and mechanisms of accountability, the discussion also considered whether new information and communication technologies (ICTs) were providing a more direct means of information sharing that could strengthen accountability. The rise of e-tech-enabled direct giving/philanthropy (e.g. KIVA and others) was seen as an important trend and one that also reflected some level of

² Keystone Accountability. Keystone helps organisations develop new ways of planning, measuring and reporting social change. Our methods include the voices of beneficiaries and other constituents at every stage. www.keystoneaccountability.org/

distrust in the established organisational philanthropies. It is important to note that from the perspective of a number of participants, the **large philanthropic foundations were not exempt from distrust** and the apparent lack of transparency of some major philanthropies was highlighted.

Finally, the problems of the role of nation states in global governance arrangements were discussed. Two aspects of this problem were examined. The first was that national governments have a tendency to operate with the **short-term time horizons** that are driven by internal political cycles, whereas global governance and regulation issues often require a long-term time horizon. The second was that national governments often operate in global governance circles with **national interests** to the fore rather than with the global perspective that the problem or issue requires.

Governments don't feel confident enough to take on long-term issues which will impact on wellbeing. Governments should take a more global view and the NGO sector should be mobilised to pursue their governments to go more global.

These are both substantial problems for global governance and reflect the **realpolitik** of international relations. However, it was felt that both dimensions of this problem needed to be addressed in order for global governance to be more effective in protecting and promoting human wellbeing on a global scale in the twenty-first century.

Innovations: Building on the trust we have and addressing the problems of top-down governance

The discussion recognised that in many spheres of governance and regulation (broadly defined) there are existing institutions that people trust. These range from religious and socially grounded institutions, to international industrial standards institutions, to new social networking institutions. The group felt that for global governance to be effective it was important to understand what current systems and arrangements command the respect of people across national borders and across generations. The discussion proposed that one strategy for reconstructing trust in global governance would be to **build on existing bases of trust**.

The example of the ISO (International Organization for Standardization)³ was discussed. It was felt that there were a number of possible lessons to be learnt from the development of this now highly pervasive and effective global institution of governance and regulation. This included that it involved voluntary compliance and that its evolution had been demand-driven rather than imposed from the top down.

High-level governance institutions that were disconnected from the people they were governing and top-down governance approaches were identified as problems. It was felt that recent globalised protests and violent events indicated that people *en masse* felt that they were no longer in touch with governance institutions of this kind. For example, many people around the world are currently experiencing the adverse effects of the financial crisis but many grassroots

³ ISO is a network of the national standards institutes of 162 countries, one member per country, with a central secretariat in Geneva, Switzerland that coordinates the system. ISO is a non-governmental organisation that forms a bridge between the public and private sectors. On the one hand, many of its member institutes are part of the governmental structure of their countries, or are mandated by their government. But other members have their roots uniquely in the private sector, having been set up by national partnerships of industry associations. See www.iso.org/

organisation are expressing the view that the governance arrangements for financial markets are ineffectual and do not take heed of the views of the people affected. The example of Avaaz was cited as a new form of organisation that is seeking to circumvent old channels of democratic protest and is harnessing new communication technologies to mobilise **voice** in the global governance system.⁴ This discussion of the ineffectiveness of high-level governance institutions flowed in a number of different directions.

In one discussion stream, the problem was seen as one where ***governance challenges were being set and addressed at too high a level***. Attempting to address problems at too high a level can make solutions even more difficult to find. Because the stakes are often set so high it can prove impossible to progress at all until all parties agree. This was seen as a characteristic problem for recent global governance efforts. It also runs the risk of designing global solutions to reach the lowest common denominator. The suggestion that followed from this was to seek a ***decomposition*** of the global problem and finding ways to break down problems finding ways to break down problems into more manageable components that could then be dealt with by governance authorities operating below the very top global level.

A second line of discussion was that we should guard against the pursuit of the best solution becoming the enemy of ***the good enough solution***. Some major failures of global governance (the WTO Doha trade round, Copenhagen Climate Change) were seen as arising from setting up a problem such that the pursuit of the best arrangement became an obstacle for progressing with component arrangements that would be good enough. When the group explored what constituted obstacles to a more pragmatic approach, ***the negative contribution of purist neoclassical economics*** was highlighted. It was argued that often what was being sought was driven more by theory (which some argued was in fact a form of ideology) than by a pragmatic search for whatever progress might be possible. In terms of the efforts required to negotiate ways of living well together, the use of a fixed theoretical position as a core, non-negotiable element for a desired outcome that is then used to drive out other perspectives which are considered less rational or theoretically less well founded, is highly problematic.

One participant argued that,

Western thought has been taken over by the neoliberal fundamentalists [talking about the Washington consensus]. This reflects the thought of dominant economic thinkers, and if things don't fit the model of liberal free trade, individualism etc. then it is being discarded.

This observation reflected the concerns that had been explored by the Virtual Dialogue on 'Inclusive Economics' conducted in partnership between the Bellagio Initiative and The Broker.⁵ While there was a view expressed that this dominance of neoclassical thinking might be declining, the ways that these ideas were embedded in global governance institutions deserved critical attention as a possible source of governance failure. Recent research has revealed that in the wake of the financial crisis there was a widespread view that thinking about development policy (and *inter alia* governance and regulation) needed to change. However, there was also a strong sense that there was not yet an adequate body of coherent counter-thinking and suitably

⁴ Avaaz states that it has 'a simple democratic mission: organise citizens of all nations to close the gap between the world we have and the world most people everywhere want'. See www.avaaz.org/en/about.php

⁵ *Living Well Together: Towards a New Economics of Wellbeing*, www.thebrokeronline.eu/Projects/Bellagio-Initiative-Living-well-in-the-21st-century

aligned institutions to support major changes in how global governance and development institutions currently conduct their business.⁶ The discussion echoed that there was a perceived **need for alternative thinking about governance and development.**

The context for future action: The changing global order and changing global values

Throughout the day there was discussion of the overall shift in the global political and economic order and its implications for global governance. This included recognition of the rise of the BRICS, the decline of the Washington Consensus and a questioning of whether the post-Second World War global institutions (including the UN) were still relevant.

As one participant put it,

... you have a shifting balance of power since the UN was founded after the war. New powers are rising and the international structures are not reflecting these. Until you have integrated these into the institutional structures, you cannot begin to reach for solutions to overall problems such as climate change, etc.

But another discussant expressed a different view,

I disagree that the UN is a Western system. China was a founding member and the US would like the UN to be more Western. It was another China at the time, but the UN was still not a Western product and the US has been frustrated at not being able to control it. The UN is still the dominant organisation which represents the still dominant system of nation states. We should appreciate what the UN has achieved in the past and what it will achieve in the future.

While there were differing views, there was broad recognition that those global institutional arrangements reflected a global political settlement of its time, and that the current global institutional set-up did not yet adequately reflect the new balance of political and economic power, nor new ideas. Included in this was the observation that there has been a proliferation of new voices in the global governance arena creating a new and more **complex global governance ecosystem**. This included the voices of rising economies, new powerful and influential philanthropies (such as Gates, Soros), and also a more diverse array of new voices enabled by modern information and communication technologies.

A key question that arose out of this discussion was what the ongoing role of the United Nations system and organisations should be. There was criticism of the UN as sometimes self-serving and also as increasingly irrelevant in the face of new global decision-making fora. The problem of goal displacement in large organisations was highlighted.⁷ There was discussion as to whether the UN, for example, had been outgrown by a much more complex global governance ecosystem with a greater number and diversity of organisations and institutions involved in governance and regulation than had been the case when the UN was given its mandate.

⁶ See Haddad, L.; Hossain, N.; McGregor, J.A. and Mehta, L. (eds) (2011) 'Time to Reimagine Development?', *IDS Bulletin* 42.5, www.ids.ac.uk/idspublication/time-to-reimagine-development

⁷ Goal displacement refers to a commonly observed dynamic in organisations, where people in the organisation focus more of their efforts on the organisation's existence, conditions and wellbeing than on the mission that it was established to address.

There was also a strong counterview that we should be careful not to underestimate the progressive role that the UN had had and continued to play in the global system. It was recognised that it was important to be more careful in assessing the UN through breaking down the different functions that the different parts of the UN organisation played. It was also noted that it was important to consider the ways in which the UN system related to other emergent voices and sources of funding. The relationship between the different parts of the UN system and the evolving philanthropy sector is one that deserves particular attention in the context of this initiative.

In this more complex institutional ecosystem it was argued that there is a need to look to new ways of building institutions that can support innovation. This would involve **partnerships** between government and private sector players, alongside traditional civil society and philanthropies both old and new.

Alongside this changing institutional ecosystem it was also noted that there have been important **changes in global values**. One contributor noted that the processes of globalisation had been accompanied by important changes in value systems globally.

Adam Smith argued that sympathy was only felt for people in your vicinity – this has changed through globalisation and can be seen in the global response to disasters.

The globalisation of **humanitarian values** is evidenced by the global responses to the needs of those who have been struck by crisis and those who are suffering. The global growth of philanthropy is an important trend to consider in this respect. It was also argued that globalisation has been responsible for **universalising values around equality** and that this has provided support for growing global anti-inequality movements. This has knock-on consequences for national governance.

Inequality has become a global issue now, because countries can't cope with uprisings which happened due to inequality in neighbouring countries.

Inequality was identified as a theme on which philanthropy could work at a systemic level and the example of the Mo Ibrahim Foundation's work in Africa and Soros's systemic work in the field of education in Eastern Europe were seen as providing noteworthy examples.

The discussion also explored the potential contribution of a **multilevel global governance** approach.

... there is no point in finding global solutions which don't match up with what people want. We need multilayered governance to let global solutions trickle down to all levels.

One approach to addressing the disconnect between people and global institutions would be to concentrate more on interconnecting different levels in governance and regulation of the global economy and society. In particular, by decomposing, it may be useful to explore how to institute varying forms of deliberation and dialogue at the different levels at which global governance has to have effect. It is important to acknowledge that, from this multilevel perspective, governance and regulation become a process that proceeds along many different fronts simultaneously. It must also seek to address and reconcile both long-term and short-term needs. In this more complex multilevel approach it will be important **to reassess the comparative advantage of the different agents in the international system** (UN, bilateral, multilaterals). In that way it may be possible to get a clearer sense of who can play which role in global governance and regulation.

Key messages and questions

There is a new and more complex ecosystem of actors, agencies and values involved in contemporary systems of global governance, regulation and development. More can be done to map and understand the dynamics of this new ecosystem since understanding of the interdependencies involved will be important for effective global governance and regulation in the promotion and protection of human wellbeing.

The current arrangements and institutions of global governance are not well trusted and this is related to what is perceived to be a lack of accountability.

There are other initiatives and institutions of governance that are better trusted and which are seen as being more accountable and one way forward may be to build on what trust already exists.

It is important not to focus only on high-level global governance institutions. There may be virtues in seeking ways to break down global problems and challenges to component parts (decomposition) and also to involve lower levels of governance more effectively in these processes. Multiscale governance solutions that better connect people at the local level (through layers of governance) to global governance institutions are important.

It will be useful to explore what distinctive roles philanthropies might play in this new global ecosystem. This might include: providing a corrective to the short-termism and nationalistic orientation of nation state governments; building new partnerships by virtue of their unique position between business, civil society and government; exploring and supporting new innovative systems; and organisation for improving trust and accountability.

The Dialogue identified the following key questions for further deliberation.

- How do we inform people about who is doing what in a multilevel ecosystem and where they can connect?
- How do we get bottom-up buy-in to global governance structures?
- How can we better help people and communities articulate their needs and transmit that information upwards to systems of global governance and regulation?
- How do we recognise the difference between what people need today and how this may not be the same as what they will need tomorrow?
- How do we reconcile short-term and long-term needs with recognition that these needs are dynamic?
- Decision-making by groups of experts has strengths and also cognitive biases. In terms of global governance, how can we close the gap between experts who claim knowledge and those people at the grassroots who may have to bear the consequences of their decisions?
- How can wellbeing be mobilised to be a useful framework for development and guide the systematic collection of peoples' views which could then be used as an input into governance and regulation decision-making?
- Can we use this kind of data to shape funding priorities for development agencies?
- While evidence-based philanthropy is particularly relevant in health, can it be relevant to other sectors?
- Living in poverty depletes people's cognitive control and changes their decision-making. How do we account for this in policy design?

Appendix 1

Participants in the London Dialogue

1	Albrow	Martin	Senior Visiting Fellow, LSE/Emeritus Professor of the University of Wales
2	Bonbright	David	Chief Executive, Keystone
3	Browne	Stephen	Project Director, Future of the UN Development System
4	Corbett	Hannah	Communications Manager, IDS
5	deGrazia	Bruce	Adjunct Associate Professor, University of Maryland University College
6	Ely	Adrian	SPRU – Science and Technology Policy Research, University of Sussex
7	Liu	Minquan	Senior Research Fellow, ADB Institute
8	Makhijani	Neelam	CEO, Resource Alliance
9	McGregor	Allister	Professorial Fellow, IDS
10	Minghella	Loretta	Director, Christian Aid
11	Neophytou	Maria	Head of Policy, ARK
12	Palazzi	Marcello	Founding Director, Progressio Foundation
13	Pocock	Nicola	Research Associate, Lee Kuan Yew School of Public Policy, Singapore
14	Powell-Stevens	Georgina	Programme Coordinator, IDS
15	Rogerson	Andrew	Rogerson Consulting, ODI
16	Saunders	Douglas	European Bureau Chief & International-Affairs Columnist, <i>The Globe and Mail</i> , Canada
17	Tran	Mark	<i>The Guardian</i>
18	Tongsopit	Sopida	Senior Researcher, Foresight Centre, Ministry of Science and Technology, Thailand
19	Ulrichs	Martina	Programme Assistant, IDS
20	Vibert	Frank	Senior Visiting Fellow at LSE Global Governance
21	Watson	Noshua	Fellow, IDS
22	Williamson	Roger	Visiting Fellow, IDS
23	Wolcott	Sarah	Research Officer, IDS